

State of Rhode Island and Providence Plantations

Public Utilities Commission

Minutes of Open Meeting Held July 18, 2002

Attendees: Chairman Elia Germani, Commissioner Kate Racine, Commissioner Brenda Gaynor, Cindy Wilson, Thomas Massaro, Alan Nault, Douglas Hartley and Luly Massaro.

Chairman Germani called the open meeting to order at 1:00 PM in the first-floor hearing room of the Public Utilities Commission. A quorum was present.

Competitive Telecommunications Service Providers:

The following companies submitted tariff revisions. The Division has reviewed the tariff filings and does not recommend suspension.

3434 - Broadview NP Acquisition Corp. d/b/a Broadview Net Plus

3429 - AmeriVision Communications, Inc. d/b/a LifeLine Communications

3187 - Zone Telecom, Inc.

2472 - Sprint Communications

2702 - Verizon Select Services, Inc.

2618 - AT&T Communications of NE, Inc.

2262(A16) - Optical Telephone Corp.

2262(F16) - Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance

2262(A6) - Southwestern Bell Communications Services, Inc.

2262(O) - VarTec Telecom, Inc.

2262(V12) - TON Services, Inc.

2262(L10) - Paetec Communications, Inc.

After review, the Commission followed the Division's recommendation that the tariff filings be allowed to go into effect without suspension.

Verizon RI Interconnection Agreements (ICAs):

The following ICAs and amendments were submitted for approval. The Division has reviewed the filings and recommends approval of:

3451 - ICA entered w/ Excel Communications Inc.

3440 - ICA entered w/ Broadview Network, Inc.

3439 - ICA entered w/ AmeriVision Communications, Inc. d/b/a Lifeline Communications

3346 - Amendment No. 1 to ICA entered w/ Premiere Network Services, Inc.

3174 - Amendment No. 2 to ICA entered w/ Essex Telecommunications, Inc.

3355 - Amendment No. 2 to ICA entered w/ Network Access Solutions Corp.

3354 - Amendment No. 1 to ICA entered w/ Teleconnex, Inc.

3367 - Amendment No. 1 to ICA entered w/ QuantumShift Communications Inc. f/k/a MVX.Com Communications

After review, Chairman Germani asked for a motion and Commissioner Racine moved to approve the ICAs and amendments. The motion was seconded by Commissioner Gaynor and unanimously passed. **Vote 3-0.**

3240 – Narragansett Electric Co.: This docket relates to Narragansett's Demand Side Management and Renewables Energy Programs. Discussion related to the Commission's review of the briefs on jurisdiction regarding the administration of the DSM and Renewables Programs submitted by the parties on June 28, 2002.

Commissioner Gaynor reviewed the travel of the docket that led to the filing of briefs on the jurisdiction regarding the administration of the DSM and Renewables Programs. She noted that the General Assembly recently passed legislation that removed the Commission's authority over renewables programs, transferring it to the State Energy Office instead. She recommended that the Commission decline at this time to rule on the question of the Commission's jurisdiction to establish rules regarding the openness of the process for establishing the DSM Programs and the administration of the DSM Programs. Commissioner Gaynor explained that postponing a ruling on these jurisdiction issues was appropriate at this juncture in light of the fact that the Company has proposed the alternative of filing a full case for the 2003 DSM Programs for adjudication by the Commission. The other Commissioners agreed with this recommendation. Accordingly, a docket will be established when Narragansett files its 2003 DSM proposal in early September. The Division and intervenors will then develop and file responsive testimony. In addition, proposals to revise the present shareholder incentive mechanism will be solicited and considered in the new docket. At that time, the Commission will also take administrative notice in the new docket of what has been filed on the incentive mechanism in the existing DSM docket.

Other: Commissioner Gaynor noted that on July 4, 2002, she purchased a new clothes washing machine at the Sears store in Swansea, MA. In the course of her search for the appropriate machine, the salesperson unfortunately misinformed her about the unavailability of a rebate on a particular Energy Star (front-loading) washing machine because the salesperson believed (based upon the rebate program brochure previously distributed to the store) that the RI rebate period for Narragansett Electric customers had expired on June 30. (The salesperson, in fact, expressed concern that the Massachusetts rebate program had been extended through Dec. 31, 2002 while the RI rebate period had not). Believing that a rebate on the front-load machine was unavailable to her as a RI customer of Narragansett Electric (as indicated by the June 30, 2002 expiration date in the rebate program brochure proffered by the Sears store in Swansea), Commissioner Gaynor ultimately chose to purchase a top-loading machine at significantly lower (-\$150) cost.

Through counsel, Commissioner Gaynor subsequently queried Narragansett Electric as to the reason for expiration of the RI rebate on June 30, indicating that she believed the Commission had approved a 1-year rebate period for Energy Star washers in 2002. Narragansett investigated her complaint and reported back that the rebate period for Narragansett customers in RI had in fact been extended to the end of the year; however, the rebate program's vendor failed to inform the Sears stores located in nearby Massachusetts that the RI rebate period had been extended to end of the year. The

Company indicated that the vendor had been informed of its oversight and that it has been rectified.

In light of the fact that RI residents often shop in nearby Massachusetts stores, the Commission directed Narragansett to place clearly-marked labels on all eligible appliances located in stores in RI and nearby Massachusetts, informing consumers of the availability of the RI rebate for Narragansett customers.

3444 – Narragansett Electric Co.: Discussion related to Narragansett’s proposed Last Resort Service Acquisition Plan that was submitted on July 9. The Plan was filed in response to the amendments to the URA enacted by the General Assembly, which now requires the Commission to approve an Acquisition Plan for obtaining Last Resort Service (LRS), as opposed to approving the actual LRS rates to be charged by Narragansett as the law previously required.

Commissioner Gaynor expressed concern as to how the Commission will establish finality with respect to the Company’s LRS purchase contract and the process that is established in the Plan. She noted that the Commission has an obligation to insure that the Company has met and complied with the process set in the Plan and demonstrate in a formal compliance filing that the LRS purchase contract is consistent with the Plan.

Chairman Germani moved to approve Narragansett’s LRS Acquisition Plan as filed with the understanding that the Commission has the right to review Narragansett’s final contract for compliance with the plan and to review the reasonableness of any discretionary acts by Narragansett thereunder. As the very recent enactment of the new LRS provisions has not afforded either the Commission or the parties an adequate opportunity for review, today’s approval will apply to this filing only and will not set any precedent with respect to future LRS Acquisition Plan filings. The motion was seconded by Commissioner Racine and unanimously passed. **Vote 3-0.**

Commissioner Gaynor moved to institute a negotiated rulemaking process to address the interpretation of the new statutory provisions pertaining to Last Resort Service and to set parameters for reviewing future Last Resort filings. The motion was seconded by Commissioner Racine and unanimously passed. **Vote 3-0.**

3409 – Narragansett Bay Commission (“NBC”): This docket relates to the NBC’s abbreviated rate filing submitted on December 21, 2001. At its June 6, 2002 open meeting, the Commission approved an across-the-board rate increase for NBC of 24.8%. On July 10, 2002, NBC submitted its compliance tariff filing, noting that the revised tariffs reflect the Division’s recommendation that the rate increase be applied to both the BOD/TSS surcharge and the connection fees. In a memorandum dated July 17, 2002, the Division recommended approval of the compliance tariffs as filed. After review, Chairman Germani moved to approve NBC’s compliance tariff filing. The motion was seconded by Commissioner Gaynor and unanimously passed. **Vote 3-0.**

1725 & 3423 – Regulations Regarding the Termination of Residential Electric, Gas and Water Utility Service: The Commission will consider the Motions for Exemption from Part IV, Section 4 of the Rules and Regulations Governing the Termination of Residential Electric, Gas and Water Utility Service filed by Newport Water Department, Providence Water Supply Board, Pawtucket Water Supply Board and Prudence Island Utilities Corp. There being no objection, Commissioner Racine moved to grant the motions as filed except for Newport Water's. The motion was seconded by Commissioner Gaynor and unanimously passed. **Vote 3-0.** Decision on Newport Water's motion for waiver is postponed until Newport Water submits satisfactory evidence of its provisions for post-shutoff payment plans.

3446 – Providence Water Supply Board ("ProvWater"): ProvWater filed new rates designed to generate additional revenues in the amount of \$5,448,798, or 12.99%, for effect July 31, 2002. Suspension of the tariffs is recommended pending investigation and hearing. Commissioner Racine moved to suspend the proposed tariffs for six months beyond the effective date. The motion was seconded by Commissioner Gaynor and unanimously passed. **Vote 3-0.**

Pawtucket Water Supply Board ("PWSB"): It was noted that in the last rate case, PWSB was granted additional funds to pay debt service and to construct a new water treatment plant. During the hearings, it became apparent that PWSB (and the Mayor) had chosen a particular vendor (EarthTech) and that the City Council had chosen a different vendor (US Filter) for the project. This has resulted in a dispute between the PWSB and the City Council on the selection of a vendor for the project, which is mandated by the EPA. The Commission is concerned that if construction of the new water treatment plant is not begun by year-end, the EPA could impose fines upon PWSB for non-compliance with its directives. If fined, PWSB would, in turn, be likely to file for a rate increase to seek recovery for this expense, which would ultimately be borne by the ratepayers of PWSB. After further discussion, Commissioner Racine moved to open a docket to inquire into the delay in the awarding of the contract for the new water treatment plant and the potential adverse effects the delay may have on PWSB and its ratepayers. The motion was seconded by Commissioner Gaynor and unanimously passed. **Vote 3-0.**

The open meeting adjourned at 1:50 P.M.